

W. E. G.
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ADMINISTRATION OF THE MINT BUREAU.

SPEECH

OF

HON. JOHN M. GLOVER,

OF MISSOURI,

IN THE

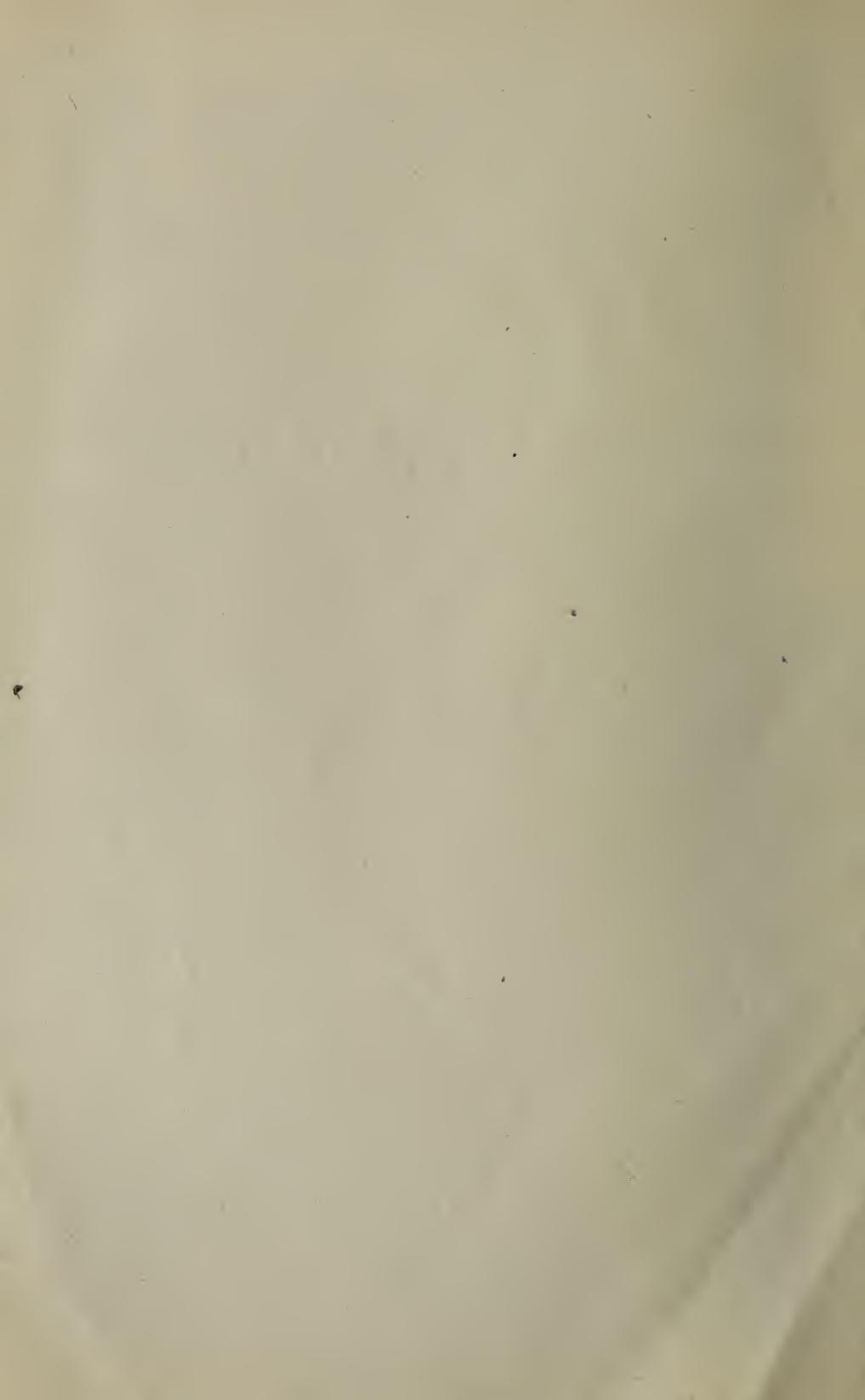
HOUSE OF REPRESENTATIVES,

MARCH 3, 1879.

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WASHINGTON.

1879.



S P E E C H
OF
H O N . J O H N M . G L O V E R .

On the evidence concerning mints and assay offices, reported by the Committee on Expenditures in the Treasury Department.

Mr. GLOVER. Mr. Speaker, "Of the dead say naught but good" is an olden maxim, born of the holy spirit of forgiveness; but when sympathy is partial or narrow it oft works great harm. To speak gently of the dead is kindly; but to praise their lives without reserve, to write them wholly praiseworthy when such they were not, is to be guilty of falsehood, to destroy the moral force of example, and to encourage their successors to repeat their faults.

The death of Dr. Henry R. Linderman, Director of the Mint, while an investigation of the conduct of the mints and assay offices under his administration was in progress under an order of this House, is held by some to require the suppression of the facts ascertained by the Committee on Expenditures in the Treasury Department in tenderness for the memory of the dead and for the hearts of the bereaved. With this my own heart accords; the more as my personal acquaintance with the deceased was pleasant and his behavior toward me courteous and often cordial.

Yet there is a broader sympathy than that which knows but the feelings and interests of the relatives and friends of the deceased. The Egyptians, whose empire passed ages since and left but a host of monuments to tell of the "world that died before our history was born," had a way to treat the dead which contained much wisdom. A solemn court was held over the corpse; the deceased's virtues and misdeeds were inquired and set down, and the judgment of his character and life was made on his record.

In our age, when ceremonies bear small weight, such a proceeding is needless; but by simpler modes the same process should go on, and the judgment of society on a man's life should be justly made up on facts. Let his virtues be praised; but let his faults be truly shown, that others may not copy them.

Peculiarly is this the case with men in high public station. Here indiscriminate praise is a crime; for, when young and rising men see wrong-doers held up as shining examples, the misdeeds of public men tend to be constantly repeated. Every man in public life should feel that he will be held to a strict responsibility for his acts, and that he will take his place in the history of his country not according to the charity extended to the dead, but according to the changeless verdict of truth. Only so can public morals be thoroughly upheld.

Beside, it should be remembered that investigation of the conduct of the executive branches of this Government by committees of the

supreme power is not for the trial or conviction of any one. It is to learn wherein the laws and the practices under the laws work badly, and wherein they should be corrected. To give the people the truth about their Government; to thereby enable wrongs whereby the people uncomprehending suffer to be known and stopped or righted; this is the high duty of the committees charged by Congress with the work of investigations. Without full and honorable doing of this work executive officials become irresponsible, despotism will supplant freedom, and the happiness of forty-five millions of people will be destroyed. In sympathy, then, not only with the friends of a departed man, but with the thousands and the millions who have suffered and hereafter may by the wrong administration of a great public office, has the committee of which I have the honor to be chairman worked, and in that spirit, having presented to the House the evidence found, do I now discuss it.

So far as I know, the great establishments and immense operations of the mint service, embracing five mints and four assay offices, which perform not only coinage, but melting, refining, assaying, bar-making, and engraving of dies; embracing thus the labors of seven hundred officers and employés; cash receipts of between \$3,000,000 and \$4,000,000, coinage of over \$80,000,000, and bullion transactions of over \$100,000,000 yearly, and coinage since 1793 of about \$1,300,000,000, have never before been scrutinized by a committee of Congress, and during most of the time the supervision exercised by the Secretary of the Treasury—a greatly overburdened officer—and the Director of the Mint has been merely nominal, as indeed it could hardly but be, considering the distances that separate the parts of the establishment—hundreds and thousands of miles.

Hence it was to be expected that irregularities would occur and that abuses would grow up, and such has been the case. The committee obtained information of numerous irregularities, and two responsible gentlemen presented written charges against the Director; but so large was the mass of details and papers that must be examined to ascertain the facts, so pressing were the other duties of the members of the committee, so short was the time at their command, so bitter was the spirit shown by those whose acts were questioned toward all who dared to aid the committee's inquiries, and such were the facilities and the anxiety for concealment that no course was open but to examine and report on only a few of the many matters which plainly needed sifting.

The lateness of the day, March 7, 1878, whereon the committee were empowered to secure the services of a clerk and experts made an additional difficulty; for it is impracticable for members of Congress, unfamiliar with the technical details of such an establishment, to go through a maze of documents, accounts, and conflicting testimony, within the time commonly allowed, unless the clews are furnished them by men conversant with the details of administration. The failure to get an opportunity under the rules to report for passage by the House resolutions authorizing the committee's sitting during the sessions of the House and sending subcommittees to points where the facts could be readily ascertained without the expense and difficulty of bringing witnesses and papers to Washington from distant places; this result of the rules in their present form also heightened the difficulty of arriving at satisfactory ascertainment. There was no lack of information; but there were great obstacles to obtaining the proof of this information's truth or falsity, and powerful influences were at work to interpose every barrier.

In the employment of experts the committee were fortunate, and particularly so for this purpose in being able to retain the services of Mr. George W. Edelman, a retired mint officer who had served thirty-five years in that capacity, the last twenty-six years thereof being devoted to the duties of deputy treasurer of the New York assay office, where he had honorably distinguished himself by successful resistance to improper practices. Since his retirement he had rendered valuable services, without compensation, to the House Committee on Appropriations; and he was strongly recommended to your committee by the Speaker and others, was designated as one of the experts of the committee, and instructed to examine the accounts and records of the Mint Bureau at Washington and of the New York assay office, and to call the committee's attention to anything which he deemed improper. The clerk of the committee, Mr. J. A. Dugan, an accomplished accountant, and the other expert, Mr. J. K. H. Wilcox, also aided to some extent in these inquiries. Mr. Edelman promptly set to work; and, though most unjustly assailed both before the committee and in a portion of the press, bore himself throughout the inquiry with a courage, industry, judgment, and patriotism worthy of high credit.

It soon grew clear that the then Director of the Mint, Dr. Henry R. Linderman, had done acts which were very questionable, and which needed careful scrutiny. As his term of office was about to expire, and as the President would soon have to decide whether he should be nominated for reappointment, the committee mainly gave attention to such of these acts as could readily be inquired into. In pursuance of a general understanding previously had with the President by the chairman of the committee, the former was promptly advised that the Director's acts were under inquiry, and he accordingly delayed the making of a nomination till the result of that inquiry should be known. The results are contained and briefly summarized in the evidence presented by the committee to the House; but that evidence needs some comment to be fully understood.

The "statistical tables" of the history of the mint operations, prepared by Martin V. Davis, and published as Appendix XXI to the Director's report of 1877, were found to misrepresent the facts in many important respects, and none but frivolous excuses were offered.

A matter of especial moment was the recovery of bullion above the amount charged to melters and refiners, or the failure to recover and the making of a wastage. The surplus gold is derived from three sources:

1. Many deposits of silver contain gold in quantities too small to exceed in value the amount of the charge for parting it from the silver, which was one and one-half cents per ounce of silver and upward till April 1, 1878. Hence all gold less than one-thousandth of any deposit of silver was not credited to the depositor nor charged to the melter and refiner. Deposits of silver containing these small amounts of gold, when carefully handled and added to ordinary gold bullion, which requires an addition of silver to be melted with it in the granulating process preparatory to its treatment with acid, will yield up these amounts of gold, which are thus recovered with the gold of the regular gold deposits. For instance, a silver deposit of 4,800 ounces, six-thousandths whereof are gold, will under this treatment yield 2.88 ounces of pure gold, worth \$59.53. Two hundred such deposits thus treated would yield \$11,906.

2. The mint regulations require that gold shall not be parted from

silver for the depositor in any deposit, even if its value exceeds the parting charge, unless its total value is over \$1. For instance: A deposit of 60 ounces of silver, the parting charge whereon would be ninety cents, might contain ninety-five cents' worth of gold. This the depositor would not get, but when such silver is added to gold bullion and treated as above described, the melter and refiner recovers this ninety-five cents' worth of gold. In one thousand such deposits of 60 ounces each he could recover gold worth \$950.

3. Where the gold is less than the two-thousandth part of the weight of the deposit, it is not reported by the assayer. A deposit of 4,800 ounces, containing nine hundred and eighty-five thousandths silver and ten and three-tenths thousandths gold, will be reported as containing ten thousandths gold. The three-tenths of a thousandth remaining is not credited to the depositor, but in very careful working is recovered, and in this case would amount to 1.44 ounces pure gold. When the gold in this deposit, which weighs 49.44 ounces, is returned in a fine-gold melt by the melter and refiner to the superintendent, if the fineness by rigid assay is nine hundred and ninety-eight and three-tenths thousandths, (nearly every melt containing some small portions of other substances, even after refining,) it is only reported as nine hundred and ninety-eight thousandths fine. The loss on the gold of three-tenths of a thousandth is on 1.44 ounces only .015 of an ounce, which leaves 1.425 ounces clear gain to the melter and refiner's account. Four hundred such deposits yield another large surplus. However, a little carelessness in working will turn the surplus into a wastage. Three-tenths of a thousandth of gold left unrecovered in 3,000,000 ounces of fine silver bars would be 900 ounces fine gold lost instead of recovered, or wastage instead of surplus; and if a melter and refiner were so disposed, he could by mixing a deposit of silver containing gold in melting, and then failing to recover, give one depositor the benefit of gold belonging to the other.

The surplus silver, which is of but small value, is obtained in the same way by saving small amounts contained in gold bullion.

In the statement of earnings and expenditures of the mints and assay offices for the fiscal year 1877, in the body of his report, the Director gives no credit to any mint or assay office, not even San Francisco, for surplus bullion recovered; and the table conveys the impression that there was no such saving or gain anywhere. Examination of the books of the New York assay office revealed the fact that the melter and refiner, Mr. Andrew Mason, an officer of thorough faithfulness and capacity, to whose "very great skill and care" Director Linderman testified, had turned into the Treasury \$14,327.33 surplus bullion recovered in refining, which was hidden under the item of "parting, refining," &c., that item being a lump sum of \$99,137.66.

On inquiry why this course was pursued a letter was produced from R. E. Preston, to whom Dr. Linderman had temporarily intrusted the duties of Director, instructing the superintendent of that office in effect to discontinue reporting the recovery of surplus bullion by the melter and refiner, and to deposit the amount in the Treasury as money earned by parting and refining, for the expressed purpose of concealing from Congress and the public the fact that a surplus instead of a wastage occurred, and an avowed reason was that publication of the fact embarrassed the mints at Philadelphia, San Francisco, and Carson, which habitually reported wastages of bullion instead of recoveries. Thus steps were deliberately taken to

deceive Congress, the Secretary of the Treasury, and the country as to the management of the entire mint service by hiding the fact that large amounts of bullion were saved at New York, and that if the management was equally good elsewhere other large sums could be saved.

Instead of giving proper credit to an officer who had honorably distinguished himself by exceptional fidelity and thrift, he is discouraged by concealing his creditable management and forcing him to appear on a par with those to whom he is an example; while at the same time the mint which since 1854 has done more than half the entire minting, and which has especially been signalized by corruption through nearly its whole existence—that at San Francisco—is allowed to understate its expenditure. The surplus returned by the melter and refiner at New York and thus concealed was, in 1876, \$24,793.20; 1877, \$14,327.33; 1878, \$25,179.58; total, \$64,290.11; all which was concealed in this way. The wastages, 1873-'78 inclusive, in the mints and assay offices are reported at \$126,336. What has become of this amount is an interesting question which the committee have not had time to pursue. The suppression of surplus goes farther. In the table of "earnings and expenditures of the New York assay office, 1854 to 1877," the wastages for these twenty-three years are stated at \$50,030.88; but no mention is made in the receipts of the melter and refiner's recoveries, which in the same time were \$192,993.

It was indirectly sought to palliate this suppression and this discouragement of exceptional care and fidelity by saying that there must of necessity be an actual loss of precious metal in parting and refining, and that so large a surplus must be obtained in part at the expense of depositors; but the New York experience shows that there need not be a loss of value in refining. The surplus is simply the small fraction above the amount of bullion wherewith the melter and refiner is charged. Hence where the melter and refiner returns no surplus, the depositor thereby does not gain, while the Government loses. The depositor makes deposit knowing that the regulations do not allow him the surplus; hence the assertion that such surplus must be obtained in part at the expense of depositors is incorrect. Were it true, the proper course is to instruct the assayer to be more precise, not to give inducements for the melter and refiner to be less so. Yet this latter course has been pursued, and the superintendent of the New York office writes to the Director that "the large surplus annually recovered by the melter and refiner *could bear reduction without detriment to his reputation or that of the office.*"

Another reason assigned by the Director for suppressing the surplus is that the appropriation acts for 1877 and 1878 required the New York assay office refinery to be self-sustaining, and allow the surplus to be regarded and used as earnings for that purpose. To make that refinery self-sustaining, however, it was not needful to conceal the sources of its support, nor the fact that the refinery was obtaining considerable sums in the conduct of its operations. The authority, moreover, for treating the surplus bullion as part of the earnings does not appear in the quotations made from the law in the Director's report of 1877. That law simply authorizes the use of the charges collected from depositors for refining bullion to defray the entire expense of such refining. As the surplus is not obtained from the amount lawfully due the depositor it is not properly a charge. That it was not designed to be treated as earnings is farther shown by the authority given by the law to raise the charges to any point necessary to cover the cost of parting and refining. Mr. Davis states that

in his tables the surplus is included in "deductions from deposits," but this is an improper account of the money, and is simply a concealment. He says that he merely reproduced a statement made by the New York assay office; but the Mint Bureau should correct errors made by the offices.

An argument strongly urged for the creation of the Mint Bureau was that it would reform the management of the various branches of the mint service. The foregoing facts indicate that its influence has been used in the opposite direction. Mr. Davis omitted from his statistical tables a wastage of \$10,954.56 at the Philadelphia mint in 1850, which settlement was not detailed on the work-books of the operative departments and was hence omitted from the second table, which is a history of settlements. But this item, added to the total of the second table, leaves a difference of \$6,596.45 to be explained, and also leaves to be explained the fact that the wastages in the two tables differ for every year from 1850 to 1867, indicating frequent differences between the work-books and the ledger. Mr. Davis says that the regular accounts had very often been corrected and altered, and that these corrections and alterations were not made on the work-books; but it is not clear what corrections and alterations could properly be made after settlement had taken place and an account had been closed. These facts do not appear to justify the publication of disagreeing figures about the same transactions without reconciliation or explanation.

According to Mr. Davis, the accounts of mints and assay offices before 1873 were very badly kept. He says that the Secretary of the Treasury had never called on those concerns for statements of their earnings and expenditures, and that on the establishment of the Mint Bureau it was found almost impracticable to get correct statements of this kind rendered, omissions and misstatements being frequent. He thinks that of late success in this respect has been attained; but in view of the character of his results, as heretofore detailed, this is rather doubtful. He testifies, in effect, that he expected that his published tables would contain errors.

The time allowed did not enable the committee to ascertain the precise meaning of the suppression from the yearly reports of 1873-'75, inclusive, of \$266,000 receipts, and from those of 1873-'76, inclusive, of \$572,000 expenditure; but these facts were ascertained beyond question, and no explanation was obtained; for frivolous excuses or admissions of gross carelessness, whether true or not, are not explanations. Mr. Davis and the Director say that it was almost impossible to get correct statements from the various establishments.

Mr. Davis's table gives no indication that its figures have been altered from those of the yearly reports, nor does it state any occasion for such alteration; nor do his statements anywhere suggest that they have been hastily prepared or will need farther revision. On the contrary, the Director says, in his report for 1877, "These statements are believed to present substantially a correct history." Director Linderman certainly helped to conceal a bad condition of things, even though he tried to improve it. In his report for 1873 he praises the officers, assistants, and clerks of the mints and assay offices, the very men whom he and Mr. Davis now acknowledge were at that time very remiss in keeping and rendering their accounts, and whom he was trying to bring into regularity, "for faithful and efficient discharge of their responsible duties," and speaks of all the officers without exception as "well qualified for their respective positions." From no report of his could it be learned or suspected that anything whatever was wrong in the mint service.

To produce on Congress, on the Committee on Appropriations, on the Committee on Expenditures in the Treasury Department, or on other committees which might be disposed to investigate, an impression that the mint establishment was conducted less expensively than it really was, facts could be suppressed and later quietly incorporated in tables which, being supposed to be purely statistical, would attract slight attention; and if it was complained that any item had not been reported the statistical tables could be pointed to as containing it. The year wherein \$306,812.40 were suppressed from the Director's report of expenditures (1876) was one of a presidential election; one wherein the mint appropriations were closely considered and largely reduced; one wherein the conduct of executive officers was scrutinized by Congress as never before; one wherein Congress continued in session six weeks beyond the close of the fiscal year, and the one from whose receipts the reclamation of \$9,067.81, hereafter referred to, was paid and concealed. The suppression of the expenditure of over \$300,000 just before a presidential contest and its acknowledgment in an unnoticeable way the next year are certainly remarkable.

On the whole, Mr. Davis's tables are of small value except ascertaining obtains clews from them, and they tend to mislead. Considering their nature, the \$500 paid him for preparing them and about \$500 more expended for printing and publishing them must be regarded as a loss to the Government. Perhaps the best comment on the matter is that, despite an expressed design to reproduce them yearly in future, they are dropped from the report of the Director for 1878, made since this investigation was begun.

It is noteworthy that no annual report of the Mint Bureau contains any account of the appropriations made for the mint service during the fiscal year, of the expenditures from those appropriations, of the transfers (if any) from one appropriation to another, nor of the unexpended balances. Nor do the reports show how much bullion was purchased on Government account, what price was paid for it, the parties from whom it was bought, the terms of purchase, the length of time between purchase and coinage, nor the amounts on hand at opening or close of the year. They do not state the amounts or prices of other materials, tools, or machinery bought during the year, nor the names of parties furnishing them. They do not exhibit the disposition made of gains and earnings, nor of the coin struck. They furnish no copies of the annual settlements of the mints and assay-offices, nor of the quarterly settlements of the Director. They fail to detail the cost of any particular kind of work done. They omit to give the number of persons employed, their duties, or their rates of pay. They give no information of the kind, amount, or value of machinery, furniture, or other property of Government on hand in the custody of the mint service, nor of the amount of such property consumed or sold, nor of the disposition made of the proceeds of such sales.

A practice of making loans on deposits of gold bullion at the New York assay office has long existed. When the bullion has been melted and refined, and the value has been ascertained and stamped on the bars, there is no objection on the ground of risk to this. The mint may not be able to coin the deposit for some days, and the depositor naturally is unwilling to lose the interest on or the use of a considerable amount for that time, so the Government takes the bars and lends him in their stead coin which it already has on hand, or coin certificates of deposit to the extent of 99½ per cent. of the ascertained value, the other ½ per cent. being retained as coinage charge. But

he is at liberty to request that his bars be withheld from coinage till he directs it to be made, to leave them on deposit indefinitely, or to deposit when the work is behindhand, and thus to reserve to himself at the same time that he uses in the markets 99½ per cent. of the assay value of the bars the privilege of returning the coin and shipping the bars to any other market where he can dispose of them to advantage.

Thus, in addition to the practice of issuing to depositors receipts of weight before melting, which receipts pass by indorsement, and thus serve the purpose of bank-notes, the assay office becomes a banking institution, making loans on collateral security, but derives from such loans no interest or profit. It, however, sometimes loses by such transactions; for when the bars have been again melted and afterward coined, the owner can decline to take the coin, can return the coin he has borrowed, and receive bars equal in value to those he deposited. This being done, the Government is left to pay for coining the bars he deposited, and he has had the use of the coin without interest, while at the same time his bullion has been safely kept for him without charges for storage or insurance. Except these losses and the unfair competition which the Government thus makes with banking institutions and brokers, whose business it is to make loans on security and to store and deal in bullion, there is no especial harm in this; for every bar being stamped with the amount of gold it should contain, it can, should its genuineness be questioned, be promptly weighed and thus decisively tested. Effort is at times made to characterize such transactions as purchases of bullion by the Government for coinage; but the facts just mentioned show that they are more than purchases. From February 16, 1866, to February 11, 1870, three hundred and thirty-eight such loans were made.

The mint or assay office thus not only becomes a banking institution, but to some extent a storage warehouse and an underwriter, without receiving any payment for storage or insurance, the interest on capital invested in buildings, stock, and weapons of defense, and the pay of guards, which is a tax on the people; it bears these charges for the benefit of depositors, who at the same time get the use in the market of 99½ per cent. of the worth of their security without paying interest. It may be said that this receiving of deposits in advance is unavoidable in order that depositors shall get their metal refined or coined in their turn; but this can be arranged by keeping a register of applications for deposit and calling for each deposit when the office is ready to handle it.

This practice received in 1866 a most improper perversion. Bullion is often merely smelted into bars for convenience of carriage without freeing it from the base metals which are mixed with it, and without parting the silver from the gold. The custom grew up when H. H. Van Dyck was assistant treasurer at New York, and ex-officio treasurer of the assay office, of advancing coin to the depositors of these unparted bars. As such bars and other unassayed bullion have no fixed value, the percentage of gold in them being unknown, it is very dangerous to lend money on them as security unless the loans are so small a part of the supposed value as to make them undesirable. A number of firms—that of Balling & Sanders being apparently the chief—engaged in the business of obtaining advances on unparted bars. As these bars have no standard weight, but vary greatly according to the proportion of silver and other metals they contain, their purity or genuineness cannot be tested by weight, nor by any other means but assay. In March, April, and May, 1869,

311,400 of these unparted bars were deposited at the New York assay office, whereon large advances were obtained.

This is a wholly improper practice, for advances could thus be obtained on counterfeit bars made of gilded lead or iron. Though there is perhaps less danger of the Government losing by this means than would at first be thought, because deposits of unparted bars come as a rule from bankers or other known and presumably responsible persons, no reason appears why an entire stranger could not take to the office a deposit of counterfeit bars, get an advance of a considerable sum, and disappear, leaving the Government to discover and suffer by the fraud. In fact, by collusion with officials, counterfeit bars could be substituted for genuine ones, as it is publicly reported was lately done in Bordeaux, France, with two hundred and sixty thousand bars, and by a little care, so long as the office held a considerable stock of unparted bars, this fraud might go undetected even for many years after the guilty parties had died or fled. But much the shrewdest way would be to obtain loans by the deposit of gilded counterfeit bars.

By so doing the Government would make loans without any real security, and the borrowers would obtain the use of large sums of public funds without paying for their use and without furnishing security. So long as the money was successfully used detection would be very unlikely; but if the operator should lose the money in the course of his speculations, he might be unable to return it. In such case the Government would be the real loser, for the security held by it would be worthless; though as just pointed out the loss might go for years undiscovered, till the particular bars came to be melted. If those bars were finally withdrawn and the coin returned the fraud would probably never be detected; and it is not without significance that among this mass of unparted deposits in the spring of 1869 several boxes of bars are known to have been made the subjects of loan by the assistant treasurer before they were deposited in the assay office, were put in the office vault, kept there some time, and then returned to the depositor on his repaying the loan.

When it is remembered that in the spring of 1869 gold rose and afterward fell, it is clear that an advance thus obtained might be used in the market at a large profit and afterward replaced; while if gold had failed to fall the trick would not have been detected as long as those particular bars remained on hand; and a request not to melt them would under ordinary circumstances postpone their melting until arrangements could be made for replacing the coin and withdrawing the bars. This practice of making loans on unparted bars was broken up in 1869 by George W. Edelman, deputy treasurer of the assay office, who, when called on by Secretary Boutwell to renew his official bond on the occasion of General Butterfield succeeding H. H. Van Dyck as assistant treasurer, refused to do so unless this practice was abandoned.

The practice was revived after Mr. Edelman resigned, under instructions from the Director, October 14, 1873, as far as British bars and sovereigns were concerned, and such advances were made till 1877. The telegram to the superintendent, giving authority to make these advances (called by the superintendent "partial payments") on deposits of British gold before assay, states that the practice "will be continued till it may be demonstrated that sound policy requires a change." That "sound policy required a change" appears to have been "demonstrated" about the time when it became known that the Committee of Ways and Means would report to the House reso-

lutions giving this committee power to send for persons and papers, and directing it to examine the affairs of the Treasury; for on December 3, 1877, the authority was revoked.

The result of this part of the inquiry is somewhat remarkable, from the fact that Director Linderman, Thomas C. Acton, superintendent of the New York assay office, and Joseph M. Floyd, Acton's chief clerk, combined in an effort to destroy the confidence of this committee in Mr. Edelman's character and testimony as an expert in mint matters, by impressing on the committee the false belief that Mr. Edelman, when deputy treasurer, approved these loans on unassayed bullion. Director Linderman wrote to Superintendent Acton March 23, 1878, soon after Mr. Edelman began, at direction of the committee, examining the New York records, requesting to be informed by whom the amounts advanced were indorsed and whether any vouchers were on file in the Treasury at Washington, or elsewhere, showing the nature of the transactions. March 26 Acton replied, stating that from July 1, 1869, to February 11, 1870, the advances were approved on the face of the yellow tickets which served as vouchers by George W. Edelman, deputy treasurer. In proof of this he transmitted three hundred and thirty-eight yellow tickets. The letter making these allegations was written by Joseph M. Floyd, chief clerk of the New York assay office, and signed and transmitted by Acton. Mr. Edelman, however, showed that the practice of making advances on unparted bullion had ceased before he began approving advances, and when Floyd, Linderman, and Samuel H. Graham, weigh clerk at the New York assay office, were on the witness stand they could not point out one voucher for an advance on unparted bullion among those which bore Mr. Edelman's approval; and after much prevarication they all admitted that there was no proof of his ever having given such approval.

This proceeding on the part of Linderman, Acton, and Floyd cannot be too strongly condemned. Linderman sought to justify it by alleging that Mr. Edelman was a malignant and persistent personal enemy to him; but this allegation is wholly unsustained; and were it true, Linderman's proper course was to clear himself from false charges, and such vindication would have reacted to crush his foe. But this he failed to do. The proceeding is in the nature of a conspiracy, not only to defame an upright and public-spirited man, but also to deceive a committee of the House, to thus deprive this committee of very valuable services, and by these means to defeat an inquiry ordered by the House. This is not only an offense against good morals, it is a contempt of the authority of the House and an effort to prevent the exercise of the power of the House to investigate, which power and its exercise are vital to the maintenance of the responsibility of executive officials to the people's representatives, without which constitutional free government will soon sink into despotism. The circumstances of this case plainly show that none of the parties to the plot against Mr. Edelman, and really also against the public liberty, are fit for the public service. There is strong reason to suspect that many contempts of the authority of the House of a nature kindred to this one have occurred within a few years, and the Committee on the Judiciary might well be instructed to bring in a bill providing for their punishment.

Linderman admitted making "partial payments" before assay on purchases of silver for coinage, and claimed that this was done not under mint laws, but under acts for coinage of fractional silver and standard silver dollars, and was hence not illegal. If such a construc-

tion of law can be admitted, and if transactions of this kind are not illegal, they are certainly highly imprudent, as much so in fact as advances on unassayed deposits, since the actual contents and value of the bars are not known till they are melted and assayed.

The \$1,000,000 Doré bullion bought of the Consolidated Virginia Mining Company March 15, 1875, was assayed by that company and by works controlled by them; so that they were allowed to put on their bullion such value as they chose, and to receive over 98 per cent. of the net value. Effort is made to justify such transactions on the ground that these advances were sometimes stipulated for in contracts, and that the sellers abated from their prices on account of them, being unwilling to wait some time for their pay when the Government refineries were overcrowded. But the fraction gained in price by no means compensates for the risk run, and there would not seem to be any pressing need for buying bullion, at least on such terms, when the capacity of the mints and assay offices to make prompt melt and assay was already exceeded. It is said that no loss has accrued to the Treasury from these advances; but it may well be doubted whether, where the mint service was not prepared to melt and assay at once, the sellers would not have sold at a discount for cash if the Director had declined to buy at market price ahead of the establishment's capacity. If so, the Government has lost the amount of such discounts.

By such means as the unlawful expenditure of money for traveling expenses of relatives and others to perform services of doubtful worth, the cost of the Mint Bureau has been swelled in its six years' existence to over \$90,000, and as far as these \$11,000 for traveling are concerned, by perverting appropriations from the uses for which they were designed. The excuse is that assistants were necessary in examining mints and assay offices and in performing other duties; but the law, while it allows the Director his own traveling expenses, \$4,292 of which were paid him to October 1, 1877, does not provide for paying the traveling expenses of any one else. The Director's proper course, if such assistance was really needed—and some of it probably was—was to ask Congress for appropriations for the purpose. But he preferred to secretly swell the cost of his bureau beyond the appropriations made by Congress for it, and to draw on the appropriations made for the establishments at San Francisco, Carson, and elsewhere, which indicates that he felt that the proposal to expend money thus would not bear the scrutiny of Congress. It is remarkable that the Auditor and Comptroller of the Treasury should pass such accounts. It appears probable that all concerned rendered themselves liable to the penalties prescribed by law for unlawful conversion of appropriations.

That some of these expenditures were needless is beyond question, and that more were so is very probable from the fact that at most points where examinations were needed responsible business men of those places would have felt complimented at being asked by the Director to assist him or to attend at the annual settlements, and that their certificates of the correctness of affairs, being those of independent observers, would be more valuable than those of officials who might fear to point out irregularities lest they provoke hostility and lose their places. This perversion of appropriations is one of the ways wherein many executive officers have deceived or defied Congress, and is part of the tendency of the executive branches to override Congress heretofore noted.

A remarkable case of this expenditure is the employment in 1875

of F. H. Gassaway, a man of ill-repute in Washington, to take inventories of public property in the San Francisco, Carson, and Denver establishments, who received \$1,668.73 for doing so at San Francisco alone and was there dismissed and left. This expenditure, as well as unlawful, was needless, for the subordinates of the Supervising architect of the Treasury at the mint could have done the work. Linderman's proper course would have been to tell Mr. Bristow plainly that he had no employment for Gassaway. If he was then instructed to make it, he should have refused, and, if need were, have submitted to be removed rather than put the Government to needless expense. But no head of a department would venture to remove a faithful officer on such a ground; yet it was not safe for Linderman to do right in the matter, as he probably felt that better reasons for removing him could be had if desired.

As Gassaway had the year before given information which a committee of Congress found very valuable; as he was dismissed at a time when investigations by committees of Congress were especially active and many, and as Linderman in his memorandum warns the superintendent of the San Francisco mint—since removed for misconduct and whose removal he recommended about the same time—to "impart no important matters to Gassaway," states that "our friends" are "getting clear of this chap," that he "has inserted his book into the nose of some of our big friends;" that "this trip is to close out the matter," and testifies that "how many people were interested in Gassaway's absence it would be difficult to tell;" it is pretty plain that Gassaway's absence was part of another plot to defeat an investigation by Congress, though the nature of that investigation the evidence before this committee does not disclose, and Linderman was evidently very loth to throw any light on the matter.

The relation of the Director of the Mint to the "Big Bonanza" mines, the Consolidated Virginia and California companies, which are owned by the same parties and have led the world in the product of silver during his term of office, is the saddest part of his unfortunate record. It was a most questionable proceeding, and not in accord with a high sense of official honor, that he should become pecuniarily interested—in his own name or in that of another—in the stock of corporations whereof the Government was likely to be a customer. But being so, it was but natural that he should yield to temptation; and the buying of millions of dollars' worth of silver on terms very favorable to the sellers, and his officially certifying to a false valuation of the mines, with the fearful results that followed, were the nearly inevitable consequences of the first false step. As to the advances of nearly the whole value of two and a half millions of silver bought of the Consolidated Virginia Company, it does not seem to be a just claim that the Government shall pay interest on bullion while it is engaged in ascertaining its value. If the owner wishes to have his bullion assayed, for sale either to Government or other buyers, he should be willing to forego its use while the operation takes place.

But if he prefers using it to having it assayed, he should not ask the Government to advance on it, but should either use the assay office receipt if he can or should withhold his bullion from assay and use it as security whereon to borrow. Nor should the Government take bullion which it is not prepared to assay promptly, but should, if it finds occasion to buy before it can assay, purchase for future delivery. Linderman in this case advanced \$2,425,000 to the sellers two months before the completion of assays, and thus enabled them to

make about \$40,000 interest, beside the unlawful payment of a reclamation of \$9,067.81 as alleged error in assays at New York, by which assays the sellers had agreed to abide, and other favorable terms given.

The United States Monetary Commission state that after the discovery of the Consolidated Virginia and California ore-body, "through persistent and infectious exaggerations in respect to the extent and richness of the new ore-body, the most visionary expectations and unwarranted fears became universally epidemic. The estimates of the value of the ore in sight ranged from \$300,000,000 to five times that amount. Deeming it of the first importance that these estimates and statements should be subjected to a practical and careful scrutiny, this commission employed Mr. Alexander Del Mar, a gentleman technically qualified for such an investigation, to visit the mines in person and ascertain from original sources their past and prospective productions. The production has not exceeded \$52,500,000. An average depth of eighteen hundred feet having been attained, it may be safely presumed that the culminating point of its production has been reached."

Let us see who were responsible for these exaggerations, and what were the latter's effects. Shortly before January, 1875, Mr. Philip Deidesheimer, described by Mr. Henry de Groot* as "an experienced Comstock superintendent and one of the most accomplished mining engineers of the age," visited the mines and estimated their value at \$1,500,000,000. This was followed by an enormous rise in the price of the stock, insomuch that Consolidated Virginia, which on September 22, 1874, was worth 90 on a par value of \$100, reached 850 January 15, 1875. As Linderman said, had he sold his stock then he could have retired on a competence, for the stock for which at most he paid \$24,750 was worth, at 800, \$220,000. But he did not sell, and the effect of Deidesheimer's overestimate largely passed away, insomuch that by the following October prices had fallen to 250 for California and 210 for Consolidated Virginia.

In the summer of 1875 Linderman, being in California on official business, sought a conference with the managers of the mines and arranged for an inspection of them. July 17 and 18 he, accompanied by Professor Robert E. Rogers, of Philadelphia, then or afterward a stockholder in the Consolidated Virginia to the extent of \$20,000 or more, made the inspection. August 26 he again visited and inspected the mines. November 1 he requested Rogers to furnish a report of the examination, with conclusions as to their probable total yield, based on their explored extent and the quality of their ores as determined by assays. This, November 15, Rogers did, and summed up by saying that, without including ore between the thirteen-hundred and fourteen-hundred foot levels, or that below the fifteen-hundred-and-fifty-foot one, the yield might be expected to be \$300,000,000; but to guard against a chance of overestimating he would take the assays at half the ascertained value and call the total product \$150,000,000 or more.

This report Linderman, after stating that the probable yield had been excessively estimated to a fabulous extent by previous accounts, appended to his annual report November 20, 1875, and concurred in. This revived speculation in the stock. As soon as the report was published Consolidated Virginia rose from 210 to 400, and California from 250 to 375. March 17, 1876, it had reached 435, at which price Linderman's investment, costing \$24,750, which under the reaction

* Powell's "Land of Silver," p. 94.

had fallen from \$220,000 in market value to \$63,750, was worth \$120,000. (On that day the stock was divided, each share into five parts, which made the price of each new share \$87.) The official report of the Director of the Mint, ascribing to the mines a value about six times as great as they afterward proved to have—for, as already quoted, they only produced about \$52,500,000 when worked out to a depth of two hundred and fifty feet below the limit of that report—was accepted by the public as reliable, and sustained the price of Consolidated Virginia, despite declining production, at or above 180 per original share till the close of 1876. Even as lately as the close of 1877 it was still at or above 115 per original share. By June, 1878, however, the prices had fallen so that the amount of stock in market was worth but about \$15,000,000, according to an estimate kindly furnished by the gentleman referred to by the United States Monetary Commission as qualified to inspect and value the mines, Hon. Alexander Del Mar.

The best defense Linderman could make of this extravagant and mischievous report was to say that he believed it came nearer the truth than any other estimate; which, lame as it is, is untrue, for before Linderman, and even before Deidesheimer, had published their overestimates the State mineralogist of Nevada had inspected the mines and valued them at \$143,000,000 above the fifteen-hundred-and-fifty-foot level, less than half of Linderman's excessive valuation. This report, however, made it practicable for the owners of the mines to sell stock enough to realize in all about \$125,000,000, (including old assessments) and the fall in the value of this property to \$15,000,000, above noted, brought to the buyers of the stock a loss of about \$100,000,000, which sum has been pocketed by the sellers with the aid of their co-stockholder, the Director of the Mint. It is currently reported that the sellers have repurchased the stock at the recent low figures, which, if true, secures them this vast profit.

Mr. Del Mar, in a communication kindly forwarded, in reply to a request, from San Francisco in June last for this committee's information, states that the speculation engendered by these false reports "set everybody crazy in California, ruined thousands of families, transferred their means to the pockets of capitalists, who invested these means in Government bonds and other outside securities, and thus drained the State of a serious portion of its working capital."

Mr. Del Mar says farther:

And this is what has caused the prevailing depression of industry, the fall of commercial prices, and the depreciation of real estate. A frenzied speculation superinduced in all the other mining enterprises adjacent to the Big Bonanza greatly increased the general loss. The contagion spread to the humblest classes of the population, to stipendiaries, to workingmen, and even to servant-girls and boot-blacks. Many is the deposit, accumulated through years of toil, that it drew from the savings-bank; great has been the anguish it occasioned by the absorption of these hoards; numerous have been the crimes committed in the vain hope of recovering these lost fortunes, and frightful are the marks which these events have left on the social and industrial welfare of the coast. * * * There was little difficulty about making a tolerably correct estimate [of the ore]—so little that some months before Dr. Linderman's report was published correct information concerning the dimensions had become common to many parties. * * * It is susceptible of proof that at the time that Dr. Linderman says that he saw \$300,000,000 in the mine the managers themselves saw less than \$150,000,000. * * * From what I myself saw and reported of the mine, and considering the opportunities afforded to Dr. Linderman and the care and labor which he states was employed in the investigation, it seems impossible for him to have been unwittingly misled to so great an extent. * * * These matters are stated in all kindness to Dr. Linderman, with whom my relations have always been pleasant; but stated they must be, or the real history of the Big Bonanza will never be told.

Linderman appears to have foreseen that his course in this matter

would be questioned, and to have sought to guard against it by printing in his annual report for 1877 testimony of James C. Flood, one of the owners of the Consolidated Virginia and California Mines, before the United States Treasury Commission, of which Linderman was a member, which sat at San Francisco, to examine the mint, in the summer of 1877, wherein Flood, being asked on the witness-stand whether he or his associates had ever in any way paid any one connected with the Government in connection with any report or estimate of the production of the mines, or had attempted to procure such report or estimate, or had known beforehand that it would be made, replied in the negative. It will be seen, though, that this does not exonerate Linderman, and that Flood and his associates may have used means which Flood might regard as not covered by the wording of the questions.

Putting the most lenient construction on this entire matter, it was certainly a grave impropriety for the Director of the Mint to lend the influence of his official position to sanction any predictions of the future production of any mine, especially so of one wherein he was pecuniarily interested.

Regarding the aid rendered in October, 1877, to the San Francisco agents of the Consolidated Virginia Company and to the Anglo-Californian Bank in selling trade-dollars at a profitable advance, by reason of the sudden stop of coinage October 20 without public notice but with private notice to those parties the previous day, whereby they gained and the public lost an amount estimated by good authority at \$80,000, the rise was 4 per cent. two business days after the suspension, which conclusively negatives the plea that there was no active demand for trade-dollars. The further plea that the trade-dollars were being passed into circulation in this country does not justify an effort to stop such circulation if the people chose to take them; nor does this or the additional plea that the free coinage of trade-dollars interfered with Government purchases of bullion justify, even if true, the suspension of coinage without previous public notice. The San Francisco *Chronicle* said, in reporting the bullion market:

It was generally remarked that if Dr. Linderman could, at his own will, suspend or resume coinage operations without giving any notice or warning of his intention, the business degenerated into a gambling game in which the few people in the confidence of the Director of the Mint held all the winning cards. * * * The only people who chuckled over the erratic course of the mint authorities were those who happened to have a little supply of trade-dollars on hand, which in spite of the assertion that there was no demand they managed to dispose of at a handsome profit.

Even this pleasure was sullied by the thought that they were only picking up the crumbs which fell from the rich men's table, and that the cream of the job was being taken by the Nevada and Anglo-Californian Banks.

There was another sudden suspension of the coinage of trade-dollars at San Francisco as late as February 1, 1878, when they were growing scarce in the market; and even so cautious a journal as the *Bulletin* of that city felt compelled to condemn this suspension as looking very much like an effort to aid speculation.

But secondary effects are sometimes as important as primary ones. The distinguished statistician and economist already mentioned states in the communication already referred to:

This fall in the price of silver which began in the autumn of 1874, and the still greater fall that followed it in subsequent years, is attributable in part to the delusive belief entertained with respect to the probable future production of the Big Bonanza mine. The annual production of the country had reached twenty-five and a half millions before any fall at all occurred in silver. It reached thirty and a quarter millions, (in 1875,) and still the fall was immaterial, the average ratio of sil-

ver for the year having been 16.69, at which rate the silver dollar was worth about 96 cents gold, which is no lower than gold stood with regard to silver three years before. These facts prove that silver could stand a production even greater than had been reached in 1874. It might even have maintained its ground in the face of a rumor soon to be circulated that fifteen hundred millions were in sight in the Big Bonanza. But when, on top of all this, Dr. Linderman, in his report for 1875, averred that he had seen three hundred millions with his official eyes, the market for silver metal went to the dogs.

* * * * *

It was this report that made a market for the stock of the Big Bonanza throughout the Eastern States and in Europe and that upset the monetary affairs of Christendom. The Munchausenisms of Deidesheimer and DeGroot may not have been too strong for the credulity of a mining country, but they had little or no effect elsewhere. A professional report, concurred in and indorsed by the Director of the Mint and published in the State papers of the American Government, was needed to carry conviction to the rest of the world; and here it was at last.

* * * * *

By the month of March, 1876, Dr. Linderman's report was circulated in Germany, and on the 14th of that month the Berlin *Reichsanzeiger* stated that "the silver mines in Nevada produce fabulous amounts of silver, the production for the current year being valued at five hundred million francs." On June 1, same year, Mr. J. Saville Lumley, reporting from Brussels to the Earl of Derby, repeated this estimate of the production of the Nevada mines, and thus, the falsehood having been placed upon an official footing in America, Germany, and England, the panic in silver (of July, 1876) took place.

* * * * *

When his report was published silver in the London market stood at 16.75 to 1 of gold. This was in November, 1875. After this it commenced to decline, and this it did with a rapidity unprecedented in history. Bearing in mind that the long-time relation of silver to gold was 15 $\frac{1}{2}$ to 16 for 1, silver fell in January, 1876, to 17.08 to 1; in June it fell to 18.21 to 1; then a panic ensued, and in July it touched 19.26 to 1, the lowest point of the depression.

It was at this juncture that our Commission was authorized by act of Congress. By the month of December I was enabled to visit this coast and examine the Big Bonanza. In February I was back in Washington and my report in print. By this time silver had risen again to 17 $\frac{1}{2}$, and thereabout it stands to-day. Had the law remonetizing the silver dollar provided also for free coinage, (as did Mr. Bland's bill,) silver at the rate of 16 to 1—that is to say, the silver dollar—would doubtless have stood to-day at a premium in gold. As it is, British influence has won the fight; the silver dollar continues to remain a mere token, and the value of silver must continue to decline.

That all this should happen in the principal silver-producing country of the world, and at a period when both in that country and elsewhere the product of silver is diminishing and the want of more money is felt in every department of industry, seems very extraordinary. Nevertheless it is all true, and if any one man is responsible for the evils which threaten to follow this virtual demonetization of silver, that man is Dr. Linderman, but for whose mischievous zeal the demonetization of that metal in 1873 would not have been accomplished.

Mr. Speaker, Henry R. Linderman is in his grave. Had I pursued him, as some have wickedly declared, with personal enmity, I should now be silent. But my action and that of my colleagues was simply to obey in good faith the order of this House, the mandate of high and sacred duty, the dictates of public honor. Gladly, had the charges against him presented by responsible men proved groundless and had the facts of record been consistent with law and right, would we have made this known to the House and the country and have spared him the mental anguish which is said to have caused his death. But this could not be; however much we might feel for him we had our duty to do, and we felt also for the people of the land and for the thousands whose sufferings were disclosed to us. He is dead; but

The evil that men do lives after them.

All through the vast Pacific coast of this Republic, through the great mining regions of the mountain chains, yes, in the Eastern States, and even in Europe, are felt the dire effects of the financial panics and losses and of the fortunes thereby gained to a few, bred by Linderman's great misstep. His yielding to temptation, perhaps

too great for most men to bear, has spread disaster and ruin through thousands of happy homes, and the development of the fair western shore of this continent has met a dreadful check. If in the course of the inquiry into his acts he came to realize the harm these acts had wrought, it is not strange that he sickened even to death. May his example be a warning to all in high station that misuse of power is sure of its reward.

But there is a grander lesson in the facts. The "hard times" whereby the country of late has suffered are largely due to just such speculations of which since 1862 there have been many. Very few of them have been inquired into by Congress, or made public. But the facts exist and are known. Scores, yes, hundreds, of officials, ex-officials, and their confederates, have rolled in wealth thus gained, while the people have seen their property slip from their grasp without knowing that the markets had been manipulated by the use of official power and information.

The private secretary of President Lincoln speculating in Wall street on the misfortunes of his country during the war from early information of all important events; the Black Friday speculation, wherein close connections of President Grant were concerned; the operations of Secretary Richardson in connection with the panic of 1873, for which he was forced to leave the Cabinet; the withdrawal of the account of the Navy Department from the great and substantial house of Barings, at London, to make it available to sustain the weak and needless house of Jay Cooke, McCulloch & Co.; the loan of \$1,000,000 of public money to the latter house in the vain effort to save Jay Cooke & Co. from bankruptcy; the real-estate pool, whereby the President, the Secretary of War, a judge of the supreme court of the District of Columbia, the governor of the District, and a leading member of the House Committee on the District became interested in operations whereby the price of real estate was artificially advanced at public cost and citizens' loss—these are a few such speculations which have to some extent come to light. Only by removing the temptations can the opportunities for such misuse be prevented. If such opportunities exist they will be used; if not by some, by others who will replace them. Only by freeing the business of the people of the country from official control can its prosperity be assured.

